



Arkansas

State Revenue Tax Quarterly

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Included in this Issue

<i>Taxpayers Mailed Notification of Processing Error</i>	<i>Page 1</i>
<i>Withholding from Payments of Deferred Income Required (Act 1309 of 2005)</i>	<i>Page 2</i>
<i>New Rules</i>	<i>Page 2</i>
<i>United States Supreme Court to Rule on State Tax Incentives to Business</i>	<i>Page 3</i>
<i>Congress Urged to Pass Internet Taxation Bill (H.R. 1956)</i>	<i>Page 3</i>
<i>Office of Excise Tax Administration: Streamlined Sales Tax Agreement</i>	<i>Page 3</i>
<i>Internet and Telephone Information</i>	<i>Page 4</i>
<i>Changes in Sales & Use Tax</i>	<i>Page 4</i>
<i>Calendar of Due Dates</i>	<i>Page 5</i>

OFFICE OF INCOME TAX ADMINISTRATION

Taxpayers Mailed Notification of Processing Error

The Revenue Division recently mailed approximately 6,600 letters notifying individual income taxpayers that they were erroneously billed for penalty and interest for late filing. The returns affected were filed on or several days before the April 15th due date reporting an additional tax due. These notices resulted from a file processing error made by the Revenue Division. An incorrect

filing date calculation was used by the Revenue Division during return processing, resulting in the erroneous assessment of penalty and interest. This problem has been corrected.

As soon as the error was discovered, file processing was immediately halted. Taxpayers who received the incorrect billing notices have been identified and sent a letter explaining the processing problem. The Revenue Division worked with the Department of Information Systems and corrected the return information for those returns processed with the incorrect filing date. Taxpayers do not need to respond to the Adjustment Billing they received. Their tax return record will automatically be corrected. If taxpayers have already paid the assessment, the Revenue Division will automatically process a refund.



If you have any questions or need additional information, please contact: Individual Income Tax, Taxpayer Service Branch, P. O. Box 3628, Little Rock, AR 72203, or call (501) 682-1100 (inside Pulaski County or outside of Arkansas) or 1-800-882-9275 (inside of Arkansas or outside of Pulaski County).

Withholding from Payments of Deferred Income Required (Act 1309 of 2005)

This Act adopts IRC § 3405, with certain modifications, to require withholding from certain periodic and lump sum payments of deferred income. For state purposes, withholding from non-periodic payments will be at the rate of 3 percent. Withholding from rollover distributions will be at the rate of 5 percent.

New Rules

Rules 2005-04, 2005-5, 2005-6, GEO 98-04, and 2005-7

Rule 2005-4: "Sales of Heavy Equipment Decals." Act 1693 of 2005 requires the Department of Finance and Administration to administer decals to dealers and purchasers to affix to new and used heavy equipment in order to visually prove that sales or use tax has been paid on the piece of heavy equipment or that it is exempt from tax. This rule establishes the procedure used to affix the decals and clarifies the collection of sales and use tax. This proposed Rule will be reviewed by the Legislative Council Subcommittee on November 3, 2005, and is expected to become effective November 14, 2005.

Rule 2005-5: "Development of Regulations to Implement Changes in the Arkansas State Procurement Law." During the 2005 Regular Session, the 85th General Assembly passed Act 1680. The purpose of this rule is to amend various provisions of the Arkansas

State Procurement Law by providing a regulatory framework for implementing the new laws. This Rule was reviewed by the Legislative Council Subcommittee on October 6, 2005 and is expected to be adopted by the end of November 2005.

Emergency Rule 2005-6: "Standard Mileage Rates for Income Tax Purposes." This rule increases the standard mileage rates effective between 09/01/05 through 12/31/05 as follows:

- 48.5¢ for employees or self-employed individuals;
- 22¢ for transportation expenses deductible as medical or moving expense;
- 14¢ for individuals in computing the income tax deduction for charitable organizations.
- This rule adopts the IRS standard mileage rate for business use of a vehicle by a rural mail carrier.

Rates that were effective for the period 1/1/05 to 8/31/05 are as follows:

- 40.5¢ for employees or self-employed individuals
- 15¢ for transportation expenses deductible as medical or moving expense;
- 14¢ for individuals in computing the income tax deduction for charitable organizations.

GEO 98-04: "Governor's Executive Order 98-04, Act 34 of 1999, and Act 2262 of 2005." This rule is to implement changes as required by Act 2262 of 2005, which revises and expands the definitions of "relative" as defined for nepotism purposes and prohibits the hiring of relatives by public officials, prohibits a state agency employee from supervising a relative, and imposes civil and criminal penalties for violations. A public hearing was held on October 25, 2005. It will be reviewed by the Legislative Council Subcommittee on November 3, 2005, and is

expected to become effective November 14, 2005.

Rule 2005-7: “Dealer Plates and Tags for Motor Vehicles and Motorcycles.” This rule sets out procedures for the implementation of Act 1929 of 2005, which has an effective date of January 1, 2006.

The rule explains in detail the authorized uses for master and extra dealer tags. It sets out new procedures and requirements for obtaining extra dealer tags requiring the listing of all employees for whom a plate is being requested.



The rule explains the authorized uses for a temporary cardboard tag, which include use for demonstration purposes, use on loaner vehicles, use for transporting vehicles, and use on new purchases. It also details what a dealer must write on each temporary tag and sets out the requirements for and use of an alternative information sheet that can be used for the same purposes as the temporary cardboard tag. A public hearing is scheduled on November 8, 2005, at 10:00 a.m.

For more information on any of these Rules, please contact the Taxpayer Assistance Office at the phone number, email address, or physical address listed on the last page.

To view acts: <http://www.arkleg.state.ar.us/>
To view rules: www.sosweb.state.ar.us

United States Supreme Court to Rule on State Tax Incentives to Business

DaimlerChrysler v. Cuno

On September 27, 2005, the United States Supreme Court agreed to hear the *DaimlerChrysler* case. This case involves the constitutionality of state tax incentives/credits that states offer large businesses. Since all states have some type of incentive program, states are hopeful that the United States Congress will pass legislation offering a uniform blueprint outlining tax incentives/credits that states can offer to businesses without violating the federal Commerce Clause.

Business Activity Tax Simplification Act of 2005 (BATSA)

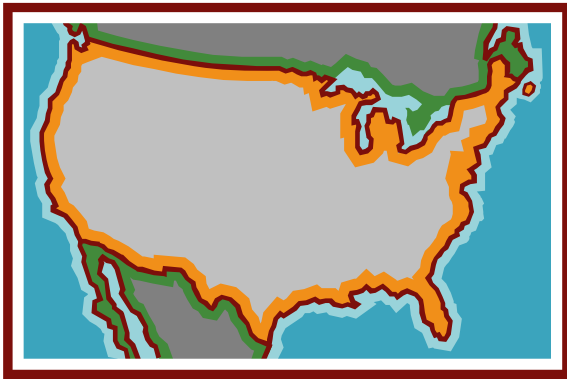
H.R. 1956

The House Subcommittee held hearings on this proposed federal bill in September 2005. If passed, this bill would require a physical presence for imposition of the business activity tax such as income tax or insurance premium tax. HR 1956 would protect businesses that sell products over the internet from being subjected to business activity taxes in jurisdictions in which they have no physical presence. The Multi-state Tax Commission and the Federation of Tax Administrators have opposed HR 1956.

Office of Excise Tax Administration

Streamlined Sales Tax Agreement

Streamlined Sales Tax. On June 30, 2005, the petitioning states held a meeting in Chicago, Illinois, and Arkansas petitioned for membership. The laws of the following states are already in effect so they are in full compliance with the provisions of the Streamlined Sales Tax Agreement (Agreement) and are considered full members for purposes of being a part of the Governing Board: Indiana, Iowa, Kansas, Kentucky, Michigan, Minnesota, Nebraska, North Carolina, Oklahoma, South Dakota, and West Virginia



The following states are associate members of the Governing Board. Their laws are in complete compliance with the provisions of the agreement; however, they are not in effect at this time. The date the laws become effective, these five states will become a full member:

Arkansas	*
North Dakota	01/01/06
Ohio	01/01/08
Tennessee	07/01/06
Utah	07/01/06
New Jersey	10/01/05
Wyoming	*

*Arkansas and Wyoming are not referenced with a date; however, they are associate members but require additional statutory revisions and rules/regulations prior to becoming full members. All associate members must come into full compliance by December 31, 2007, or be removed from the Governing Board. The initial meeting of the Governing Board occurred on Saturday, October 1, 2005, in Washington, D.C. and approved the bylaws and established committees.

As an associate member, Arkansas could not vote on amendments to the Agreement but businesses were allowed to register with our state and receive amnesty and also receive additional benefits contained in the Agreement. A business that registers under streamline is required to collect the sales tax of the full member states. Associate members are in a holding situation to see if a business registers and will proceed from there.

Arkansas' Petition for Membership and other related information can be found at http://www.arkansas.gov/dfa/excise_tax_v2/et_su_project.html.

Calendar of Due Dates

10/14/05—Employee monthly W/H tax, for prior month (EFT filers only);

10/17/05—Employee monthly W/H tax, for prior month; Miscellaneous tax (except Severance taxes);

10/20/05—Sales & Use Tax;

10/25/05—Motor fuel tax (except IFTA); Severance tax;

10/31/05—IFTA

11/14/05—Employee monthly W/H tax, for prior month (EFT filers only);

11/15/05—Employee monthly W/H tax, for prior month; Miscellaneous tax (except Severance taxes);

11/21/05—Sales & Use Tax;

11/28/05—Motor fuel tax (except IFTA); Severance tax;

12/14/05—Employee monthly W/H tax, for prior month (EFT filers only); 4th Qtr. Corp. estimated income tax (Based on calendar year filer) (EFT filers only);

12/15/05—Employee monthly W/H tax, for prior month; 4th Qtr. Corporation estimated income tax (Based on calendar year filer); Miscellaneous tax (except Severance taxes);

12/20/05—Sales & Use Tax;

12/27/05—Motor fuel tax (except IFTA); Severance tax.

01/13/06—4th Qtr. Individual estimated income tax (Based on calendar year filer) (EFT filers only); Employee monthly W/H tax, for prior month (EFT filers only);

01/17/06—4th Qtr. Individual estimated income tax (Based on calendar year filer); Employee monthly W/H tax, for prior month; Miscellaneous tax (except Severance taxes)

01/20/06—Sales & Use Tax

01/25/06—Motor fuel tax (except IFTA); Severance tax;

01/31/06—Employee withholding tax report for prior year (Annual filer only); IFTA

CHANGES IN SALES & USE TAX

Please Call (501) 682-7104 For Periodic Updates

Regarding Local Sales and Use Taxes

http://www.arkansas.gov/dfa/excise_tax_v2/st_index.html

Name	Code	Effective Date	%	Recent Action
Alexander	60-02	10/1/05	2.00	Increase
Arkadelphia	10-02	11/1/05	1.00	Decrease
Camden	52-01	10/1/05	1.00	Decrease
Johnson City	72-07	10/1/05	2.00	Increase
N. Little Rock	60-01	10/1/05	2.00	Increase
Prairie Grove	72-09	10/1/05	1.25	Decrease
Searcy	73-15	10/1/05	1.50	Increase
Tontitown	72-11	10/1/05	2.00	Increase

Internet Information

Business and Personal Tax Page

http://www.arkansas.gov/dfa/dfa_taxes.html

Telephone Information

Corporate Income Tax	(501) 682-4775
Taxpayer Assistance for Individual Income Tax	(501) 682-1100 1-800-882-9275
Automated Refund Inquiry & Tele-tax Information	(501) 682-0200 1-800-438-1992
Sales and Use Tax	501-682-1895
Taxpayer Assistance Office	501-682-7751

The **Arkansas State Revenue Tax Quarterly** is a publication of the Taxpayer Assistance Office. The newsletter is produced and distributed electronically to tax professionals, businesses, and organizations operating in Arkansas. To be added or deleted from the e-mail list, contact Jan Moore, phone (501) 682-7751, write to Taxpayer Assistance Office, Ledbetter Building, Room 2460, 1800 W. Seventh, P. O. Box 1272, Little Rock, Arkansas 72203-1272, or send an e-mail to jan.moore@rev.state.ar.us.